



February 8, 2022

A Letter to our Valued PCTL Shareholders,

I would like to take some time to address all of you to discuss the current state of the company, review 2021 and take a look forward at 2022.

The coronavirus has held everyone's attention for 2 years now. While it continues to create uncertainty throughout the economy and disrupt supply chains, it continues to afford us opportunities for growth, increased brand awareness and recognition of PCT LTD in new and increasingly larger markets.

Although 2021 revenues were less than stellar and less than the prior year, the revenues increased 5-fold above pre-pandemic 2019. Even with the dip in revenue, we still accomplished a great deal, including:

Cleaning up the balance sheet

- We've eliminated short-term expensive debt
- We've eliminated toxic debt
- We've virtually eliminated medium to long term debt

R & D and Infrastructure

- We invested heavily in R&D, upgrades to the warehouse and shipping efficiencies and significant build-out in our Ft. Wayne facility
- We rolled out our second-generation On Site Generating (OSG) machines some of which have been placed in the field at client locations. The performance of this design is surpassing all expectations.
- While we keep a lean headcount, 18 full or part-time employees, most of the existing staff have been with us less than two years, while others, including our CFO, have been with us less than one year. Our employees are a talented and focused team, doing great work and are passionate about growing PCT's bottom line. Critical institutional knowledge in engineering, machine design and production are intact.

We continue to get up each morning with enthusiasm, excitement and absolutely determined to continue to make progress on the growth trajectory we are currently on. We know the challenges. We know the disappointments. We carry forward only 'lessons learned'. All baggage is left behind. We know what must happen in 2022. This team will get it done!

Krag Capital and their team stepped up in a big way for us in the second half of 2021. You've seen the press releases. The take-away regarding Krag is this: through their diligence and visits to Little River and Grassy Creek, they embraced PCTLs vision, what we're doing now and how close we are to transformative events. They stepped up to help make it happen.



Oil and Gas

Our progress in developing our O&G technology continues to improve. We've attained very good results in the Grassy Creek project in Deerfield, MO. When we started the project, Grassy Creek was producing negligible quantities of oil, less than 1% (1% oil, 99% water). Our latest test results saw oil production rise to 14.4%, a 1,440% increase!

We've learned from our testing (both in the field and laboratory) that to maximize oil recovery, there was a clear need for both greater volumes of fluid and increasing the parts per million (ppm) in Catholyte. Our engineering staff has developed a unit that produces 450% greater fluid volume and a 250% increase in ppm.

We initially shipped the newly developed Catholyte unit to Holdenville, OK where initial testing took place. This gave our partner, Maverick Energy, time to build a larger heater tank to handle the larger volume of downhole fluids than what was needed in Grassy Creek. We have now sent that unit to Grassy Creek to take advantage of the higher ppm Catholyte and will measure those results against our prior benchmarks.

Applying nanobubble technology to the higher ppm Catholyte is in a final testing phase. Early results are significantly exceeding our projections and expectations.

We have partnered with Krag Capital to commence a 7 well (6 producing and 1 injection) new drilling program using the newly developed nano/catholyte fluids, currently scheduled for the latter half of March or early April (weather being a major variable) in the Grassy Creek formation.

Healthcare

We've begun deploying our second-generation On-Site Generating equipment to our existing hospital base to replace aging first-generation machines. They are outperforming our expectations.

The influx of working capital from Krag Capital has enabled us to procure needed parts to assemble new equipment. In addition to replacing equipment, we finally have the means to accelerate the production and assembly of new equipment and to increase our finished goods inventory, whereby meeting the needs of the healthcare community and allow our sales team to approach new healthcare facilities and expand our geographic market.

The U.K.

The lack of activity in the U.K. in 2021 was disappointing. We have new partners in the U.K. who have accomplished more in the last several months than has otherwise occurred over the last couple of years. Our management team is in constant contact with the new UK team, exchanging ideas and information to enhance the salability of our equipment and the product it produces.

We are confident this new team will begin to place equipment orders in the very near future and throughout 2022.



Agriculture

We are in the process of searching for a well-qualified person to lead this division, as well as a sales team to support and sustain the expected rapid growth in this division. More information will follow soon.

Financial Results

There is no denying that revenues in 2021 did not meet our expectations. The pandemic gave us a huge spike in revenues over previous years – a ten-fold increase over 2019, but we overestimated that continued boost in business. I mentioned the uncertainty that the pandemic has caused on the overall economy. Most of the revenue shortfall in 2021 can be attributed to a few factors:

- We anticipated that fluid sales would fall off – we did not anticipate the degree of that decline
- International business (U.K.) did not develop in large part due to COVID restrictions and how they were implemented in Europe. That’s not the only reason but its impact was real.
- The stagnant lease or purchases of equipment or fluid sales was due to several factors, some of which were due to (1) COVID and the reluctance of the healthcare administrations to allow access to their facilities to allow for increased fluid sales and (2) PCT lacked funds to order parts to assemble new equipment.

Our current revenue foundation is firm. I mentioned that revenue streams are approximately 5-fold increase over 2019 the majority of which is recurring revenues

A snapshot of 2020 compared to 2021: (000’s)

	Audited	Unaudited		
	31-Dec-20	31-Dec-21	Difference	Result
Cash	115	116	1	Good
A/R	350	96	<254>	Very Good
A/P	273	103	<170>	Very Good
Current Liabilities	15,227	3,283	<11,944>	Very Good
Notes Payable	2,782	2,183	<599>	Very Good
Total Liabilities	15,364	4,538	<10,826>	Very Good

Derivative liability has been reduced from \$11.4MM to approximately \$3MM

2022 Forecast

We believe our pipeline for OSG equipment is real and growing, both in healthcare and other industries. We also believe the Oil & Gas and Agriculture Divisions will contribute revenues in the fourth quarter. There are several variables in these markets so the pace of growth here is difficult to predict right now.

Our budget and forecast call for at least \$5MM in revenues. Our upside forecast has a significant jump



depending on variables which have yet to settle.

We expect our healthcare revenue to grow in leaps and bounds. Financing has been secured to allow us to order parts to assemble equipment to lease and sell to healthcare facilities throughout the USA, the U.K., Distributors, and for the O&G and Agriculture industries.

We continue to be appreciative of all our shareholders who have been supportive of our efforts during this past year – and in many cases that support goes back several years. We want you to know that we are committed to making PCT LTD one of the elite companies in our industry. We will be tireless in our efforts to increase shareholder value by seeking new opportunities for expansion while continuing to strengthen our company as we take PCT to new heights in 2022.

Our CFO, Art Abraham is a fan of Jack Welch, former Chairman and CEO of General Electric. Art reminds us of one of his quotes: "*Shareholder value is a **result**, not a strategy . . . Your main constituencies are your employees, your customers and your products.*"

We wish all of you Good Health, Joy and a Prosperous 2022.

Sincerely,

Gary Grieco
CEO and Chairman PCT LTD